

Message Text

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SUBJECT: UK GOVERNMENT ANNOUNCES POLICY ON DEBT RELIEF

REF: A) LONDON 3521; B) LONDON 10605

1. JUDITH HART, MINISTER OF OVERSEAS DEVELOPMENT, ANNOUNCED IN THE HOUSE OF COMMONS ON JULY 31 THAT THE UK GOVERNMENT WILL WRITE OFF APPROXIMATELY 900 MILLION POUNDS IN OUTSTANDING DEBTS OWED BY 17 DEVELOPING NATIONS. THIS FIGURE REPRESENTS THE REPAYMENTS AND INTEREST WHICH WOULD HAVE ACCRUED BETWEEN NOW AND THE YEAR 2000 AND WILL BE REALIZED BY CONVERTING PAST LOANS INTO GRANTS FOR THOSE COUNTRIES WHICH NOW RECEIVE UK AID IN GRANT FORM. UP TO 60 MILLION POUNDS TOTAL WILL BE FORGIVEN IN ANY SINGLE YEAR.

2. THE "RETROSPECTIVE TERMS ADJUSTMENT" BECAME EFFECTIVE ON JULY 31 AND WILL INCLUDE COUNTRIES WITH A 1976 PER CAPITA ANNUAL INCOME UNDER 280 UNCLASSIFIED

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DOLLARS. THE 17 COUNTRIES ARE: AFGHANISTAN, BANGLADESH, BOTSWANA, EGYPT, THE GAMBIA, INDIA, INDONESIA, KENYA, LESOTHO, MALAWI, NEPAL, PAKISTAN, SIERRA LEONE, SRI LANKA, SUDAN, TANZANIA AND WESTERN SAMOA.

3. THE PROGRAM EXCLUDES UGANDA, CAMBODIA AND SOUTH

YEMEN FOR "SERIOUS VIOLATIONS OF HUMAN RIGHTS."
FINAL DECISIONS HAVE NOT BEEN MADE ON ETHIOPIA AND
VIETNAM.

4. THE COST OF THE DEBT CANCELLATION PROGRAM WILL
BE MET ENTIRELY FROM THE AID BUDGET THROUGH THE USE

UNALLOCATED FUNDS. HART SAID THE 60 MILLION POUNDS
PER YEAR "WILL NOT COME OUT OF ALREADY PROMISED
AID PROGRAMS TO THE 17 COUNTRIES."

5. THE MAIN BENEFICIARIES WILL BE INDIA, PAKISTAN,
MALAWI, SRI LANKA AND EGYPT. IN THE CASE OF INDIA
LOCAL COST AID WILL BE OFFERED IN PLACE OF DEBT
RELIEF.

6. THE UK GOVERNMENT'S DELAY IN ANNOUNCING THIS
PROGRAM WHICH HAS BEEN UNDER CONSIDERATION SINCE
EARLY THIS YEAR IS APPARENTLY DUE TO INTER-MINISTRY
DISAGREEMENTS NOTED REFTELS AND A GENERAL
GOVERNMENT CONCERN ABOUT THE EFFECTS ON EMPLOY-
MENT AND EXPORTS. THE GOVERNMENT ESTIMATES THAT
SOMEWHERE BETWEEN ZERO AND 2,400 JOBS WOULD BE
LOST FROM THESE DEBT CANCELLATION MEASURES.

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